

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY CAIRO IMMEDIATE

C O N F I D E N T I A L STATE 156816

NODIS

E.O. 11652: GDS

TAGS: EFIN, CPRS, PFOR

SUBJECT: CLAIMS OF U.S. NATIONALS AGAINST EGYPT

REFS: (A) STATE 1152344(B) CAIRO 06495

FOR AMBASSADOR EILTS FROM UNDER SECRETARY SISCO

1. I HAVE MET WITH MONROE LEIGH AND OTHERS WHO HAVE BEEN DEALING WITH CLAIMS OF U.S. NATIONALS AGAINST EGYPT. I CAN APPRECIATE YOUR CONCERN, SINCE THIS IS OBVIOUSLY A DELICATE MATTER BOTH FROM THE POINT OF VIEW OF EGYPTIAN-AMERICAN RELATIONSHIPS AND U.S. CLAIMANTS (AND THE CONGRESS).

2. WE VIEW THE DISCUSSIONS SCHEDULED TO OPEN TOMORROW AS AN OPENING ROUND IN A PROCESS WHICH WILL REQUIRE A GOOD DEAL OF GIVE AND TAKE. FOR YOUR OWN BACKGROUND, YOU CAN APPRECIATE THAT FOR US TO PRESENT SOMETHING LESS THAN THE
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TOTAL AMOUNT INVOLVED AT THE OUTSET HAS MANY DISADVANTAGES.

WE WOULD NOT WANT TO PUT OURSELVES IN A POSITION WHERE PRIVATE CLAIMANTS COULD CONTEND THAT WE HAD NOT MADE A BONA FIDE EFFORT ON THEIR PART NOR WOULD WE WANT TO BE CRITICIZED ON THIS GROUND IN CONGRESS, WHICH IS APT TO LOOK AT THIS WHOLE MATTER VERY CAREFULLY, PARTICULARLY IN CIRCUMSTANCES

WHERE THE U.S. WILL AT THE APPROPRIATE TIME BE PUTTING FORWARD WITHIN THE FRAMEWORK OF THE FOREIGN ASSISTANCE ACT A REQUEST FOR A SUBSTANTIAL AMOUNT OF ECONOMIC ASSISTANCE FOR EGYPT.

3. HAD THIS MATTER COME TO MY ATTENTION SOONER, MY JUDGMENT WOULD HAVE BEEN THAT THESE NEGOTIATIONS SHOULD NOT TAKE PLACE AT THIS TIME IN VIEW OF THE CURRENT DELICATE STATE OF DISCUSSIONS WITH RESPECT TO THE INTERIM AGREEMENT. IN ANY EVENT, WHAT PERHAPS REFTEL (A) DOES NOT REFLECT SUFFICIENTLY IS THAT THE CURRENT INSTRUCTIONS ARE ONLY A STARTING POINT. WHILE THERE ARE SOME DIFFERENCES OF VIEW BACK HERE, MY OWN JUDGMENT IS THAT IT IS COMPLETELY UNREALISTIC TO EXPECT WE WILL GET A SETTLEMENT OF 100 PERCENT ON THE PRINCIPAL AMOUNT OF ALL CLAIMS NOR DO I BELIEVE THAT IT WILL BE POSSIBLE TO ACHIEVE A SETTLEMENT ON AN AMOUNT WHICH INCLUDES INTEREST. NEVERTHELESS, I DO NOT BELIEVE WE CAN OR SHOULD WRITE OFF THIS POSSIBILITY BEFORE NEGOTIATIONS GET UNDERWAY, SINCE IN EVERY OTHER NEGOTIATION OF THIS KIND SINCE WORLD WAR II WE HAVE BEGUN BY INCLUDING THE FULL AMOUNT OF THE PRINCIPAL PLUS INTEREST AS PART OF THE CLAIM, AND SINCE EQUITY AND INTERNATIONAL LAW SUPPORTS SUCH PAYMENT. WE ARE MINDFUL ALSO THAT, UNLESS WE ARE ABLE TO ACHIEVE WHAT MIGHT BE CONSIDERED A FAIR SETTLEMENT, CONGRESSIONAL PRESSURES FOR WITHDRAWAL OF THE STATE DEPARTMENT'S AUTHORITY TO SETTLE SUCH CLAIMS WILL GAIN ADDED STRENGTH.

4. I AM PARTICULARLY IMPRESSED WITH YOUR ARGUMENT THAT, SINCE THE EGYPTIANS HAVE BEEN THINKING IN TERMS OF AN 8 MILLION DOLLAR FIGURE AS BEING WITHIN THE BALL PARK, A 28 MILLION DOLLAR CLAIMED AMOUNT WOULD COME AS A SHOCK, WHICH A REDUCTION OF INTEREST TO 5 PERCENT WOULD

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NOT APPRECIABLY MODERATE. I DO NOT WANT THE PRESENTATION OF SUCH A 28 MILLION DOLLAR TOTAL FIGURE AT THIS TIME TO BE MISUNDERSTOOD, AND, FOR THAT REASON, TO BE MADE. CERTAINLY THERE IS ABSOLUTELY NO INTENTION, AS YOU KNOW, TO APPROACH THIS EXERCISE AS A GOUGING OPERATION AND THERE WOULD BE NO REASON FOR THE EGYPTIANS TO CONSIDER IT AS SUCH.

5. MY CONCLUSIONS ARE THESE: WITHOUT SPECIFYING ANY TOTAL SUM (EITHER FOR PRINCIPAL OR INTEREST), HUANG SHOULD GO OVER THE SUBSTANCE OF EACH PARTICULAR CLAIM WITH HIS COUNTERPART IN A TECHNICAL, LOW-KEY AND FLEXIBLE WAY. HE SHOULD NOT, HOWEVER, GO OVER THE S.S. AFRICAN GLEN CASE FOR THE TIME BEING, EXPRESSLY RESERVING EXAMINATION OF IT FOR LATER. RE QUESTION OF INTEREST, HE

SHOULD REFER TO IT ONLY IN CONTEXT THAT CLAIMANTS ARE SEEKING INTEREST IN ACCORDANCE WITH NORMAL INTERNATIONAL PRACTICE IN SUCH CASES. I THINK YOU ALSO OUGHT TO INVOLVE YOURSELF IN THIS MATTER TO THE DEGREE THAT YOU FEEL NECESSARY IN ORDER TO ENSURE THAT THE EGYPTIANS UNDERSTAND THAT THIS IS AN INITIAL RECAPITULATION OF THE CLAIMS AS THEY HAVE BEEN PRESENTED BY U.S. CLAIMANTS AND BY NO MEANS THE FINAL POSITION OF THE UNITED STATES GOVERNMENT.

6. AS TO THE AFRICAN GLEN, SINCE THE PRIVATE CLAIMANT (FARRELL) CAN BE EXPECTED TO PURSUE THIS MATTER VIGOROUSLY, IT IS IMPORTANT THAT HUANG STATE THAT WE MAY WISH TO REVERT TO THIS POSSIBLE CLAIM AT A LATER STAGE; THAT IS A COMPLICATED CASE AND WE ARE STILL STUDYING THE MERITS OF IT.

7. I AM SURE YOU WILL AGREE THAT THE ABOVE ADJUSTMENT OF INSTRUCTIONS GIVES YOU PLENTY OF FLEXIBILITY TO AVOID THIS MATTER BEING PRESENTED IN SUCH A WAY TO THE EGYPTIAN GOVERNMENT THAT IT COULD CAUSE ANY DIFFICULTY WITH THEM. I AGREE WITH YOU FULLY THAT THE PRESENTATION HAS TO BE TOTALLY CONSISTENT WITH THE FACT THAT WE ARE TAKING THE LEAD IN TRYING TO BE HELPFUL WITH THE EGYPTIANS IN THEIR PRESENT FINANCIAL PLIGHT AND THAT WE CONFIDENTIAL

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INTEND TO PRESS VIGOROUSLY FOR A SUBSTANTIAL AMOUNT OF AID AT SUCH TIME AS WE SUBMIT OUR MIDDLE EAST PACKAGE TO THE CONGRESS. YOU SHOULD MAKE CLEAR THE TECHNICAL NATURE OF THE EXCHANGE BETWEEN HUANG AND HIS EGYPTIAN COUNTERPART, EMPHASIZING THAT ALL OF THIS WILL BE REVIEWED ONCE AGAIN AND THAT THIS PHASE OF THE DISCUSSIONS IS INTENDED TO BE ONLY EXPLORATORY. INGERSOLL

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